

**FIDDLER GONZALEZ & RODRIGUEZ, P.S.C.**

**ATTORNEYS AND COUNSELORS AT LAW**

**PO Box 363507**

**SAN JUAN, PR 00936-3507**

**TELEPHONE (787) 753-3113**

**FAX (787) 759-3123**

**254 MUÑOZ RIVERA AVENUE**

**CORNER CHARDÓN STREET**

**6TH FLOOR**

**HATO REY, PR 00918**

**ROBERTO A. CÁMARA-FUERTES**

**DIRECT (787) 759-3220**

**FAX (787) 250-7545**

**EMAIL: [RCAMARA@FGRLAW.COM](mailto:RCAMARA@FGRLAW.COM)**

**January 27, 2014**

**HAND DELIVERED**

**Carlos R. Villafañe, P.E.**

Active Branch Chief

**Héctor D. Ortiz, P.E.**

Environmental Engineering

Caribbean Environment Protection Division

**Héctor Vélez Cruz, Esq.**

Assistant Regional Counsel

United States Environmental Protection Agency ("EPA")

Region 2

City View Plaza II – Suite 700

#48, P.R.-165 Km. 1.2

Guaynabo, P.R. 00968-8069

**RE: CEPD-CWA-02-IR-2013-007**

**Valley View Park and Valley View Village**

Dear Engineers Villafañe and Ortiz and Counselor Vélez,

As you know, the undersigned are counsel of record for Doral Recovery II, LLC ("Doral") in the matter of Doral Recovery II, LLC v. Bayamón Acquisition Properties, Inc., et al, Civil No. E PE2012-0322 (612) pending before the Court of First Instance of Puerto Rico, Caguas Part (the "Litigation.") Please recall that the Litigation was commenced by Doral more than a year ago to enjoin Bayamón Acquisition Properties, Inc. from allowing used sewage waters to leak from a temporary septic tank and be discharged to land. On December 16, 2013, we wrote to you on behalf of Doral regarding certain developments in the Litigation as well as the conduct of the owner and developer of the property in

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Héctor D. Ortiz, P.E.

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CEPD-CWA-02-IR-2013-007

Valley View Park and Valley View Village, Caguas, P.R.

January 27, 2014

Page 2 of 3

question, Bayamón Acquisition Properties, Inc. ("BAP"), and its personal guarantors Fernando Fernández-Aguiló ("Fernández-Aguiló") and Huguette Quintana Arroyo ("Quintana-Arroyo"). This is a follow-up to that communication which is attached hereto for your convenience as **Exhibit A**.

On December 17, 2013, the parties appeared for a hearing before the Hon. Lilia M. Ortiz Puig, Superior Court Judge of the Court of First Instance, Caguas Part. During the hearing, the Court heard arguments by Plaintiff, Defendant and Third Party Defendant regarding certain developments in the Litigation, including that there are insufficient monies available in the Loan to continue funding project activities, including the payment of a Receiver, the disposing of the sewer waters currently flowing to a provisional tank, providing security for the partially constructed structures, among others. Additionally, the Court heard statements from the prior provider of services to dispose sewer waters, SaniPlant who, despite many statements by BAP to the contrary during the Litigation and before the EPA, was compelled to admit that the progress of the permanent water treatment plant was in its infancy. Specifically, SaniPlant admitted that the permanent water treatment plant did not have construction permits, Puerto Rico Environmental Quality Board permits, and did not even have a survey with soil studies for the leeching field where the water would drip after treated by the plant.

3. In light of this critical reality, the Court strongly encouraged the parties to discuss settlement alternatives, specifically because the situation as described would have the consequence, among many others, of allowing sewer waters to spill all over the property. After a full day of discussion, the parties discussed a tentative agreement – subject to approval by Doral's committees, the execution of the relevant document, and contingent upon a good faith monetary deposit by BAP – that would pay pending invoices of the receiver and contractor providing sewer water collection services at the property, as well as ensure the collection of sewer waters well into February 2014. The Court then set a follow-up hearing for January 16, 2014.

Regrettably, BAP reneged on its compromise and did not make the good faith monetary deposit. Therefore, the pending invoices of the Receiver and the contractor disposing of the project's sewer waters for the months of October to January are still outstanding. They are the exclusive responsibility of BAP and the co-defendants in the Litigation.

On January 16, 2014, the Court of First Instance held a follow-up hearing to the December 17, 2013 status conference. During the hearing, the Defendants were unable to provide a coherent and reasonable explanation for the dereliction of its duties or their vexatious attitude other than that they thought twice about the compromise. As stated in our December 16, 2013 letter, Doral explained that BAP wishes for the Bank to disburse funds beyond those budgeted sums in the Loan. In essence, after not providing maintenance to the sewage tank located within the project for more than a year, and endangering the environment and neighboring communities, BAP insists that Doral provide endless funding to the project. This is not Doral's responsibility, by law, contract or otherwise. Doral is a regulated Bank insured by the FDIC and cannot increase the loan amount without obtaining proper committee and regulatory approval. Furthermore, given the lack of funding, the Receiver, Engineer Miguel Díaz, advanced that he would be moving the Court to be relieved of his duties in the Litigation.

At the closing of the January 16, 2014 hearing, the Court asked the parties for alternatives to resolve the problem of the disposal of the sewer waters at the project. Doral insists that BAP is **exclusively liable** for the maintenance and upkeep of the property, **including** the disposal of the waters of



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CEPD-CWA-02-IR-2013-007

Valley View Park and Valley View Village, Caguas, P.R.

January 27, 2014

Page 3 of 3

the sewage tank. Furthermore, Doral maintains that it cannot continue to disburse funds under the Supervision/Administration line item of the Loan which includes paying for the services of the Receiver and the maintenance of the sewage tank. Therefore, the responsibility for the administration of the construction project – including the disposition of sewage waters in the tank located within the project – falls squarely and exclusively on BAP. Doral is not the owner of the property, is not a shareholder or investor of BAP, and hence, it cannot be, as BAP would wish, the entity responsible for the continued maintenance and administration of the project. In light of this, Doral is moving the Court for a permanent order directed to BAP to provide continued and uninterrupted sewage water collection services for the project until the conclusion of the Litigation. Furthermore, Doral is asking the Court to compel BAP to provide monthly reports of the services provided, the amount charged and the amount paid. We are attaching Doral's motion as **Exhibit B** to this communication for your information.

As it was the case in December, Doral thought it would be prudent to keep you apprised of the ongoing developments in the Litigation.

Of course, we are available to discuss this matter further, at your convenience.

Best regards,

  
Roberto A. Cámara-Fuertes

- 3.
- c. BAP, through its counsel of record  
Pedro Reyes Bibiloni (via email)  
Fernando Fernández Aguiló, through his counsel of record  
Huguette Quintana Arroyo, through her counsel of record  
Doral Recovery II, LLC